

ORIGINAL OPEN MEETING



0000064263

MEMORANDUM

Arizona Corporation Commission 410

DOCKETED

DEC - 5 2006

TO: THE COMMISSION

2006 DEC -5 P 12:05

FROM: Utilities Division

AZ CORP COMMISSION
DOCUMENT CONTROL

DATE: December 5, 2006

DOCKETED BY	<i>[Signature]</i>
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RE: IN THE MATTER OF THE APPLICATION FOR TACNA WATER MANAGEMENT COMPANY'S REQUEST FOR APPROVAL OF AN ARSENIC REMOVAL SURCHARGE TARIFF (DOCKET NOS. W-01344A-05-0183 AND W-01344A-05-0647)

Introduction

On October 24, 2006, pursuant to Decision No. 68658, Tacna Water Management Services Company ("Tacna" or "Company") filed a request with the Arizona Corporation Commission ("Commission") for approval of an arsenic removal surcharge as shown on Table A.

Background

On January 23, 2001, the United States Environmental Protection Agency reduced the drinking water standard for arsenic from 50 parts per billion ("ppb") to 10 ppb. All community water systems and non-transient non-community water systems needed to comply with the new federal rule by the January 23, 2006 deadline.

On April 12, 2006, in Decision No. 68658, Tacna Water Management Company was authorized a rate increase, financing approval, and an arsenic remedial surcharge mechanism ("ARSM"). Decision No. 68658 directed the Company to file an application for approval of an arsenic removal surcharge tariff that would enable the Company to meet its principal and interest obligations on the actual amount of the loan and pay income taxes on the surcharges.

On June 30, 2006, the Company filed a request for an extension of time to make certain compliance filings required by Decision No. 68658.

On October 17, 2006, a Procedural Order was issued directing the Commission's Utilities Division ("Staff") to file, by November 1, 2006, a response to the Company's request for an extension of time. On October 25, 2006, Staff filed a memorandum recommending extending to December 1, 2006, a requirement of Decision No. 68658 for the Company to file a copy of the Arizona Department of Environmental Quality Certificate of Approval to Construct. Staff's memorandum further recommended extending to December 31, 2006, a requirement of Decision No. 68658 for the Company to either file copies of its corrected tax returns for the last three years or documentation of its corporate dissolution.

THE COMMISSION

December 5, 2006


Page 2

On October 24, 2006, the Company filed an application for an arsenic remedial surcharge tariff for all customer classes. Staff concludes that the Company's proposed surcharges shown on Table A are correctly calculated in accordance to the methodology approved in Decision No. 68658 based on the terms of its Water Infrastructure Financing Authority ("WIFA") loan. The Company filed a copy of its signed loan documents on October 24, 2006.

Staff recommends approval of an arsenic surcharge as shown on Table A.

Staff further recommends that the Company file a tariff consistent with Table A explaining the terms and conditions of the arsenic remedial surcharge within 30 days of the effective date of the decision resulting from this proceeding.

Staff further recommends that Tacna notify its customers of the Arsenic Remedial Surcharge tariff within 30 days of the effective date of the decision resulting from this proceeding.



Ernest G. Johnson
Director
Utilities Division

EGJ:CSB:lhM/RM

Originator: Crystal Brown

TABLE A

Arsenic Remedial Monthly Surcharge Per Meter

5/8 Inch x 3/4 Inch Meter	\$ 6.78
3/4 Inch Meter	\$ 10.17
1 Inch Meter	\$ 16.95
1 1/2 Meter	\$ 33.90
2 Inch Meter	\$ 54.24
3 Inch Meter	\$101.70
4 Inch Meter	\$169.50
6 Inch Meter	\$339.00

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BEFORE THE ARIZONA CORPORATION COMMISSION

JEFF HATCH-MILLER
Chairman
WILLIAM A. MUNDELL
Commissioner
MIKE GLEASON
Commissioner
KRISTIN K. MAYES
Commissioner
BARRY WONG
Commissioner

IN THE MATTER OF THE APPLICATION
OF TACNA WATER MANAGEMENT
COMPANY FOR AN INCREASE IN RATES

DOCKET NO. W-01344A-05-0183

IN THE MATTER OF THE APPLICATION
OF TACNA WATER MANAGEMENT
COMPANY FOR FINANCING APPROVAL
OF A FINANCE LOAN TO IMPROVE ITS
OPERATING SYSTEM

DOCKET NO. W-01344A-05-0647

DECISION NO. _____

ORDER

**ARSENIC REMOVAL SURCHARGE
TARIFF**

Open Meeting
December 19 and 20, 2006
Phoenix, Arizona

BY THE COMMISSION:

INTRODUCTION

Pursuant to Decision No. 68658, dated April 12, 2006, Tacna Water Management Company ("Tacna" or "Company") filed an application requesting approval of an arsenic removal surcharge tariff. The average residential customer bill (3/4-inch meter) would increase by approximately \$10.17 (or 49.44 percent) from \$17.01 to \$25.42.

On January 23, 2001, the United States Environmental Protection Agency reduced the drinking water standard for arsenic from 50 parts per billion ("ppb") to 10 ppb. All community water systems and non-transient non-community water systems needed to comply with the new federal rule by the January 23, 2006 deadline.

1 On April 12, 2006, in Decision No. 68658, Tacna Water Management Company was
2 authorized a rate increase, financing approval, and an arsenic removal surcharge mechanism.
3 Decision No. 68658 directed the Company to file an application for approval of an arsenic removal
4 surcharge tariff that would enable the Company to meet its principal and interest obligations on the
5 actual amount of the loan and pay income taxes on the surcharges.

6 On June 30, 2006, the Company filed a request for an extension of time to make certain
7 compliance filings required by Decision No. 68658.

8 On October 17, 2006, a Procedural Order was issued directing the Arizona Corporation
9 Commission's ("Commission") Utilities Division ("Staff") to file, by November 1, 2006, a
10 response to the Company's request for an extension of time. On October 25, 2006, Staff filed a
11 memorandum recommending extending to December 1, 2006, a requirement of Decision
12 No. 68658 for the Company to file a copy of the Arizona Department of Environmental Quality of
13 Certificate of Approval to Construct. Staff's memorandum further recommended extending to
14 December 31, 2006, a requirement of Decision No. 68658 for the Company to either file copies of
15 its corrected tax returns for the last three years or documentation of its corporate dissolution.

16 On October 24, 2006, the Company filed an application for an arsenic removal surcharge
17 tariff for all customer classes. Staff concluded that the Company's proposed surcharges shown on
18 Table A were correctly calculated in accordance to the methodology approved in Decision
19 No. 68658 based on the terms of its Water Infrastructure Financing Authority ("WIFA") loan.

20 The Company docketed a copy of its signed WIFA loan documents on October 24, 2006.

21 On November 14, 2006, the Company's request for an extension of time was granted.

22 * * * * *

23 Having considered the entire record herein and being fully advised in the premises, the
24 Commission finds, concludes, and orders that:

25 FINDINGS OF FACT

26 1. Tacna is a certificated Class E water utility which serves approximately 152
27 customers in Yuma County, Arizona.

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1 2. The Company seeks an arsenic remedial surcharge tariff in this proceeding
2 authorizing the monthly surcharges as shown on Table A to aid the Company in its efforts to
3 comply with the Environmental Protection Agency's ("EPA") new arsenic maximum contaminant
4 level of 10 particles per billion ("ppb") which became effective January 23, 2006.

5 CONCLUSIONS OF LAW

6 1. The Company is a public water service corporation within the meaning of Article
7 XV of the Arizona Constitution and A.R.S. §§40-250 and 40-252.

8 2. The Commission has jurisdiction over the Company and of the subject matter of the
9 application.

10 3. Approval of an arsenic surcharge is consistent with the Commission's authority
11 under the Arizona Constitution, Arizona ratemaking statutes, and applicable case law.

12 4. It is in the public interest to approve the Company's request for approval of an
13 arsenic remedial surcharge tariff.

14 ORDER

15 IT IS THEREFORE ORDERED that the application by Tacna for approval of an arsenic
16 remedial surcharge as shown on Table A to service the debt necessary to complete the arsenic
17 treatment investment is approved.

18 IT IS FURTHER ORDERED that the Company file a tariff consistent with Table A
19 explaining the terms and conditions of the arsenic remedial surcharge, as a compliance item in this
20 docket, within 30 days of the effective date of this decision.

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IT IS FURTHER ORDERED that Tacna shall notify its customers in a form acceptable to Staff, of the arsenic removal surcharge tariff approved herein within 30 days of the effective date of this Decision.

IT IS FURTHER ORDERED that this Decision shall become effective immediately.

BY THE ORDER OF THE ARIZONA CORPORATION COMMISSION

CHAIRMAN

COMMISSIONER

COMMISSIONER

COMMISSIONER

COMMISSIONER

IN WITNESS WHEREOF, I BRIAN C. McNEIL, Executive Director of the Arizona Corporation Commission, have hereunto, set my hand and caused the official seal of this Commission to be affixed at the Capitol, in the City of Phoenix, this _____ day of _____, 2006.

BRIAN C. McNEIL
Executive Director

DISSENT: _____

DISSENT: _____

EGJ:CSB:lhmrRM

1 SERVICE LIST FOR: Tacna Water Management Company
DOCKET NOS. W-01344A-05-0183, et al.

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TABLE A

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